

Message Text

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INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 DOE-11 SOE-02 /132 W
-----106540 142019Z /62

R 141803Z MAR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 8619
INFO ALL OECD CAPITALS
USMISSION GENEVA

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USMTN ALSO FOR MISSION

E.O. 11652: N/A
TAGS: ETRD FR EC MTN
SUBJECT: LE FIGARO ARTICLE BY DE MOREL ON IMPORTANCE
OF MTN.

1. ON THE EVE OF THE FIRST ROUND OF THE FRENCH LEGISLATIVE ELECTIONS, THE DIRECTOR OF FOREIGN ECONOMIC RELATIONS AT THE MINISTRY OF FOREIGN TRADE, DE MOREL, WROTE AN ARTICLE FOR LE FIGARO ON THE DANGERS OF PROTECTIONISM FOR FRANCE. HE EXPLAINED THE DEGREE OF DEPENDENCY OF THE FRENCH ECONOMY ON FOREIGN TRADE AND SAID THE CURRENT MTN PROVIDED OPPORTUNITIES WHICH FRANCE SHOULD NOT MISS. THE HIGHLIGHTS OF DE MOREL'S ARTICLE FOLLOW:

2. DE MOREL WROTE THAT PRESSURES FOR PROTECTIONISM COMING FROM VICTIMS OF FOREIGN COMPETITION AND PARTISANS OF MORE RAPID GROWTH CANNOT BE MET BECAUSE OF FRENCH DEPENDENCY ON FOREIGN TRADE. IN 1967, FRENCH EXPORTS WERE ONLY TWELVE PERCENT OF GDP. BY 1977, IT
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WAS UP TO 22 . CONSIDERING THAT ONLY PART OF GDP IS EXPORTABLE, THE DEGREE OF DEPENDENCY REACHES MUCH HIGHER FIGURES, ESPECIALLY IN SOME SECTORS WHERE THE VALUE ADDED IN PRODUCTION IS HIGH, SUCH AS BASIC CHEMICALS, AUTOMOBILES, SHIPBUILDING, AND AIRCRAFT.

3. A GRADUAL CLOSING OF THE FRENCH ECONOMY WOULD BRING

RETALIATION. NOT ONLY WOULD FRANCE NO LONGER EARN FOREIGN EXCHANGE TO PAY FOR OIL AND RAW MATERIALS, BUT THE SCALE OF PRODUCTION FOR THE DOMESTIC MARKET WOULD BE TOO SMALL TO BE ECONOMICALLY EFFICIENT. BESIDES, FRENCH INDUSTRY WOULD NOT BE CAPABLE OF SHIFTING RAPIDLY INTO PRODUCTION OF SOPHISTICATED EQUIPMENT WHICH IS NOW IMPORTED.

4. IT IS OFTEN ARGUED THAT FRANCE WOULD NOT CLOSE ITS BORDER TO THE ENTIRE WORLD BUT ONLY TO AMERICA, JAPAN, AND POSSIBLY TO THE EAST AND THE LDCS. THIS WOULD BE DIFFICULT TO CONTROL ACCORDING TO DE MOREL. APART FROM ENERGY, FRENCH TRADE IS IN DEFICIT TO THE EC BY NINE BILLION FRANCS, WHILE THE SURPLUS WITH REST OF THE WORLD IS 40 BILLIONS. FOR FRENCH INDUSTRY ALONE, THE DEFICIT WITH EC PARTNERS WAS 22 BILLION FRANCS IN 1977 AND THE SURPLUS WITH OTHER COUNTRIES 63 BILLIONS. THE ILLUSION OF A GEOGRAPHICAL PROTECTIONISM SHOULD BE DISCARDED.

5. MONETARY DEPRECIATION IS ALSO NOT FEASIBLE. BECAUSE ONE THIRD OF FRENCH IMPORTS, I.E. OIL, RAW MATERIALS AND MINERALS, ARE PRICE INSENSITIVE, ONE CAN ESTIMATE THAT FOR MORE THAN HALF OF IMPORTS, DEVALUATION WOULD INCREASE PRICES WITHOUT DECREASING THE VOLUME.

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6. "FREE TRADE MUST BE PRESERVED. THAT DOES NOT MEAN A BLIND ATTACHMENT TO THE RULES AND MECHANISMS OF PURE FREE TRADE DEVELOPED UNIQUELY AMONG INDUSTRIALIZED COUNTRIES IN THE FRAMEWORK OF GATT."

7. THE GRADUAL DEVELOPMENT OF STRUCTURAL PROBLEMS HAS BECOME MORE EVIDENT DUE TO THE WORLD CRISIS. THESE PROBLEMS HAVE TO BE DEALT WITH THROUGH NEW RULES. THIS IS WHAT THE FRENCH PRESIDENT WAS TALKING ABOUT AT THE LONDON SUMMIT. HIS IDEAS HAVE BEEN SUMMED UP IN THE CONCEPT "ORDERLY GROWTH OF TRADE."

8. INDUSTRIALIZED COUNTRIES' MARKETS HAVE BEEN INCREASINGLY DISTURBED BY IMPORTS FROM POOR COUNTRIES WHICH REMAIN UNDERDEVELOPED BUT USE SIMPLE TECHNOLOGY TO BUILD HIGHLY COMPETITIVE ENTERPRISES. THIS CAN ONLY BE COUNTERED BY THE USE OF SELECTIVE SAFEGUARDS. A GOOD EXAMPLE IS THE MULTIFIBER ACCORD. WE SHOULD HAVE A MORE GENERAL APPROACH TO THIS PROBLEM IN THE MTN.
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9. THE UNIT COST OF NEW INVESTMENT IS GREATER IN MANY SECTORS AND CAUSES DIFFICULT ADJUSTMENTS BETWEEN SUPPLY AND DEMAND. TEMPORARY CRISIS MEASURES COULD HELP THIS ADJUSTMENT AND COULD INCLUDE THE ESTABLISHMENT OF COMMON FLOOR PRICES SUCH AS THE U.S. AND EC HAVE DONE FOR STEEL. IN MANY SECTORS, THE WORLD MARKET IS DOMINATED BY MONOPOLIES OF A SINGLE COUNTRY. MONOPOLIES SHOULD BE FOUGHT INTERNATIONALLY AS WELL AS AT HOME. THE EMERGENCE OF NEW INDUSTRIES AND SURVIVAL OF OTHERS MUST BE ENSURED BY MEASURES PERMITTING REAL COMPETITION.

10. DE MOREL CONCLUDES THAT CHANGES IN THE RULES OF THE GAME FOR WORLD TRADE SHOULD BE ADOPTED IN THE TOKYO ROUND. THEY WILL MARK THE BOUNDARY BETWEEN FREEDOM AND DISORDER AND WILL BE THE BEST GUARANTEE FOR FURTHER DEVELOPMENT OF WORLD COMMERCE IN WHICH FRANCE PLAYS A GROWING ROLE. IT IS AN OPPORTUNITY WHICH OUR COUNTRY SHOULD NOT MISS.
HARTMAN

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